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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* PERSONAL INCOME GROWTH STILL RESTRAINED
* CONSUMER SPENDING SLOWS A BIT, AFTER AUTO BINGE
* INVENTORY REMAINS IN CHECK
* CONSTRUCTION FALTERS
* TRADE DEFICIT STUCK AT $10 BILLION PER MONTH
* ANOTHER SHARP DROP IN THE DOLLAR
* OUTLOOK * MODERATE GROWTH CONTINUES INTO 1986

OVERVIEW: The current expansion is swinging into its fourth year—which makes it the third longest episode in the last 3 decades. Sustaining moderate growth at this stage quite naturally means overcoming weaknesses and imbalances. The median of the **Economic Forecasts** for real GNP growth in the first quarter of 1986 is only a 2.3% annual rate, seasonally adjusted. But that median quickens to 2.7% in the second quarter. These numbers suggest that the economy will overcome some weakness, and develop momentum. In fact, the median for the third and fourth quarters of 1986, is for quite robust growth of 3.4% and 3.8% respectively.

More optimistic forecasts emphasize the stock market rally, which improves wealth; strong growth in money supply and liquidity; sufficient reduction in interest rates; and trade-account improvements as the dollar continues to fall.

To generate faster growth, those positive forces will have to spur consumer and/or business spending. Consumers are saddled with debt, experience slow income growth and have not changed their assessment of economic conditions for some time. Business is operating with a fair amount of idle capacity, constrained profit margins, and an inability to raise prices. Executives have indicated an intention to scale back investment plans. Unbridled optimism about prospects for the fourth year of expansion, then, seems unwarranted. Another year of moderate growth, but with sizable downside risks, is more plausible.

DOMESTIC MARKETS MONITOR

The labor market has clearly improved over the last three months. And the momentum may carry into the new year. Although the unemployment rate was 7% in November, the same rate as in August, almost 750,000 new jobs opened up over the last three months. Job growth has benefitted teens and adult women more than adult men. Half of the new jobs were in business services, health services, and state and local government. Manufacturing employment rose by only 10,000 in these 3 months. But that reverses a year-long trend of job loss.

Total hours worked in the nonagricultural sector were 2.8% higher, at an annual rate, in the last two months of the fourth quarter than in the first two months of the third quarter. That labor input number suggests that the resumption of moderate growth, which began this Summer, has carried into the final months of the year.

Job growth may well continue into the new year. The Conference Board's **Help-wanted Index**, a measure of labor demand, rose to 140 (1967 = 100) in October, from 133 in August. Early returns to the November survey suggest it may rise another few points. While that gain in ad volume still leaves the index below its level a year ago, it does suggest that the faster pace of economic activity in the second half of 1985 has created job opportunities and may continue to do so at least into the early months of 1986.

Wage-gain restraint is not the only reason why personal-income growth remains sluggish. Through October, wages in commodity-producing industries rose 4.7%, annual rate, over the last 3 months. Wages in other industries, however, rose at a 7.1% rate—about the pace of gains in rents, dividends and shopkeepers' income. Interest-rate declines lower interest earnings by 3.5% and transfer-program payments (including social security) have decreased by 2.7% over the last 3 months.

Not surprisingly, consumer installment credit increased much more slowly in October than it had in the prior 3 months. The surge in auto loans heavily affected the credit numbers in August and September. Actually, nonauto debt began to subside in August and has continued to do so through October.

Ken Goldstein, Editor

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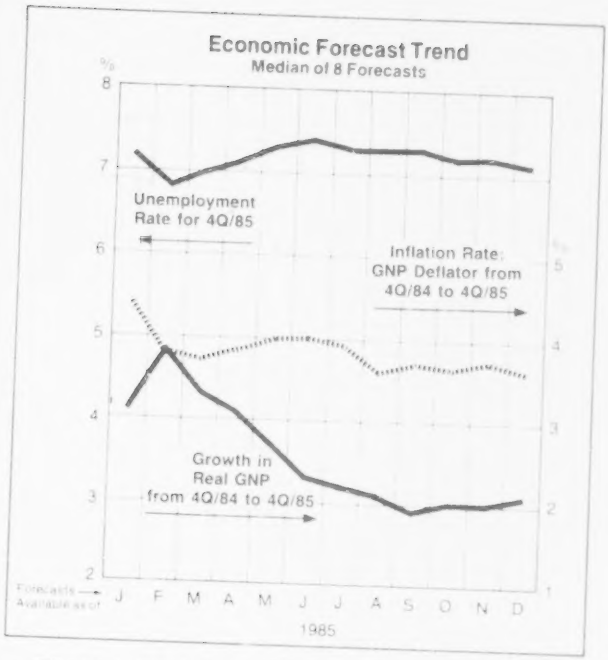


The slowing of consumer debt helped reduce the ratio of **Consumer Installment Credit Expansion to Personal Income.** That ratio had almost doubled in August and September—again reflecting the surge in car demand. Despite a drop in October, the ratio was still higher that month than in July—or before the big rise in auto loans go underway.

Single-family home sales fell again in September. Over the last three months, sales have dropped by almost 13 percent. Despite a lackluster pace of construction, inventory of unsold homes has risen sharply. Given the decline in home buying, it is not surprising that the median sales of homes hasn't appreciated at all during 1985.

The value of new, residential construction was 6% higher, on a deflated basis, in September than it was last May. Nonresidential construction, however, increased very little over this period.

Hours worked in manufacturing rose by 0.3% in October. But industrial production was unchanged. Auto output fell over the last two months, after a surge in August. Defense- and space-related output also fell in October—as did production of mines and utilities.

Production may be slowed by a drop in new orders. Defense orders, which had been surging, fell sharply in September and October. But nondefense, capital goods were no higher in October than two months earlier. And orders for nondurables were a little lower.

Inventory accumulation remains a thing of the recent past. Inventory did rise by 0.2% in September. But stocks were still lower than two months earlier.

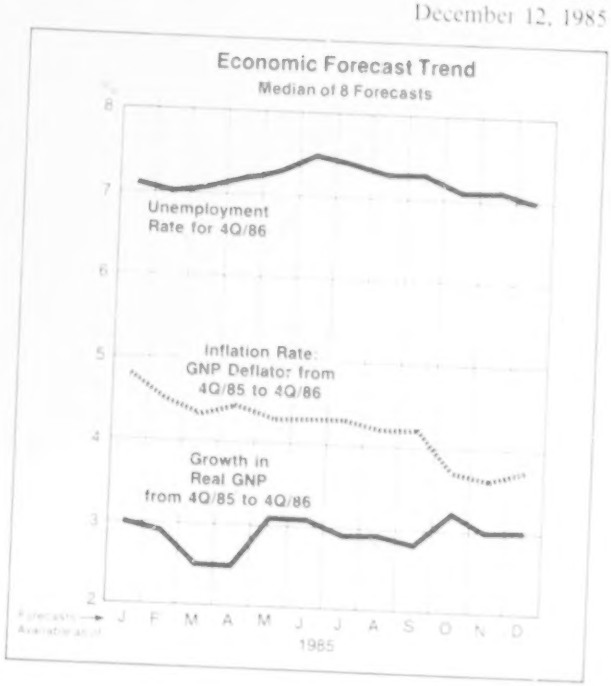
Capital investment is still rising but that may soon change. The Conference Board's **Capital Appropriations and Expenditures** survey showed that the nations 1,000 largest manufacturers invested 4.2% more in plant and equipment in the third quarter. But appropriations—approval of new spending plans—fell for the second straight quarter. The combination of more spending and a drop in appropriations reduced the backlog of approved projects—the first time the backlog fell since the expansion began.

For the first time since April, commodity prices rose in November. Food prices, which had been falling all year, rose sharply in November. Raw industrial prices, however, continued their year-long decline.

INTERNATIONAL MONITOR

In the two months since the signing of the G-5 agreement, the dollar has dropped sharply. Although it rose 0.4% against the Canadian dollar, our largest trading partner, the dollar's trade-weighted average **Exchange Rate** was 6.7% lower in November than two months earlier. The dollar fell 7½% against the lira and 9½% against the French franc and the mark. But against the yen, it was down 16% in just the last two months.

Ken Goldstein
December 12, 1985

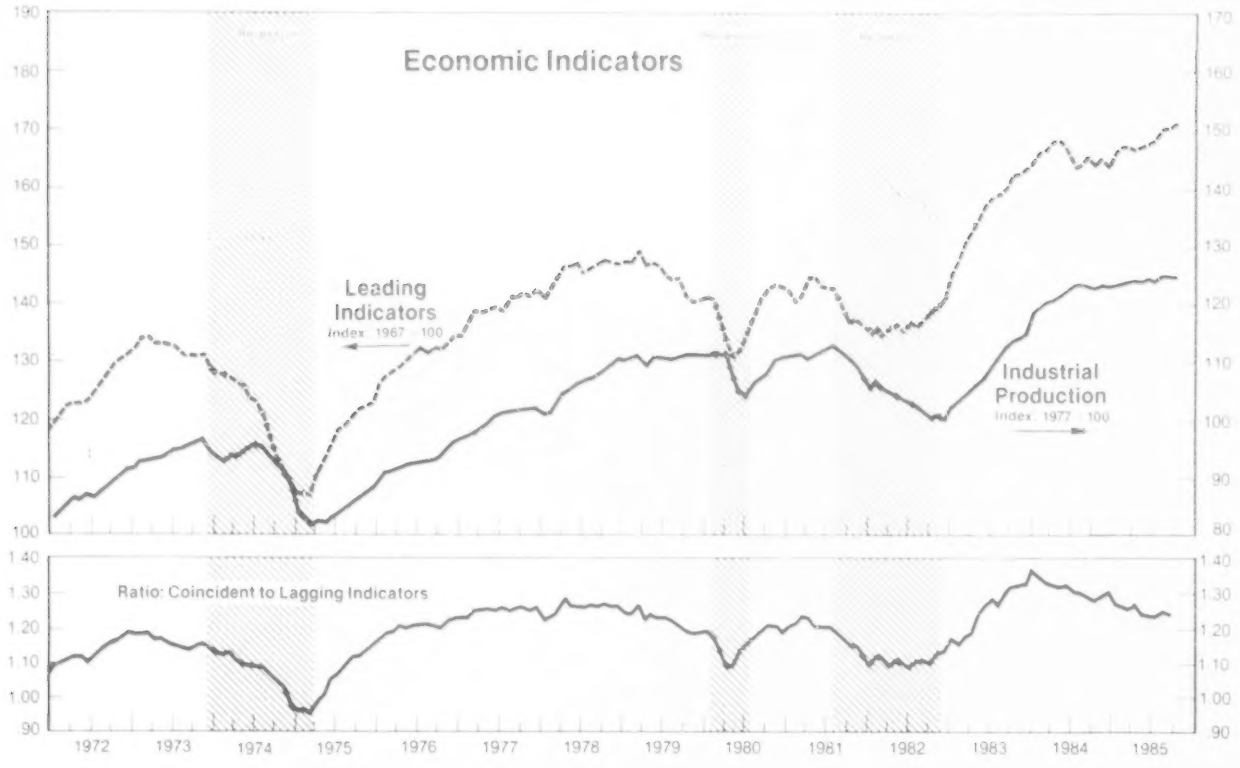


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct	X			- 1.5%	- 4.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct	X			- 2.3%	- 5.4%
New orders, nondefense capital goods (deflated)	Oct		X		- 0.8%	- 3.8%
*New business formation	Oct			X	- 1.1%	- 2.3%
*Housing permits	Oct		X		0.4%	14.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct	X			- 3.7%	- 5.5%
*Change in inventory, on hand & order (deflated)	Sept		X		- 2.6%	18.4%
Purchasing agents' buying policy	Nov			X	- 7.0%	16.0%
*Vendor performance, reported slower deliveries	Oct	X			- 2.0%	6.0%
Industrial raw materials prices	Nov			X	- 2.5%	12.8%
*Change in sensitive material prices	Oct		X		- 0.1%	- 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct	X			1.0%	3.9%
Change in business loans	Oct	X			- 19.6%	9.4%
*Change in credit outstanding	Oct	X			- 4.7%	2.0%
Change in consumer installment debt	Sept	X			- 64.9%	- 67.8%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			4.5%	0.9%
*Common stock prices	Nov	X			4.2%	18.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov		X		0.1hr	0.2hr
*Initial unemployment claims (inverted)	Oct		X		- 1.5%	4.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators* (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Oct.	1986 Jul.	Aug.	Sept.	Oct. (e)
Principal Diffusion Index	50.4	57.1r	58.0r	56.3r	55.6
Auxiliary Diffusion Index	42.8	51.8r	52.9r	44.4r	47.7
Industrial Group	48.8	56.9	61.3r	55.8r	54.4
Nonindustrial Group	52.1	57.4r	54.8r	56.8r	56.9
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	47.0	57.7	65.8	57.7r	52.1
Labor	53.5	57.8	61.3	58.1	61.3
Miscellaneous	39.7	53.2	54.5	47.4	40.4
Nonindustrial Subgroups					
Prices	37.8	48.1	41.0	34.6	36.5
Consumer	69.7	68.4r	72.6r	76.1r	68.8
Building	55.1	60.3	58.3	56.4r	62.2
Miscellaneous	41.9	50.9	43.8	52.6	34.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board RECORD, July 1966.

e-estimate r-revised

The Conference Board Diffusion Index

BUSINESS EXECUTIVES' EXPECTATIONS

	1983 May	Aug.	Nov.	1984 Feb.	May	Aug.	Nov.	1985 Feb.	May	Aug.	Nov.
	Score (scale 0-100)										
Measure of Business Confidence	76	75	74	70	65	61	57	61	52	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	82	80	76	75	70	57	62	48	45	53
2. Expectations for Economy, Six Months Ahead	78	74	73	67	60	57	57	61	53	53	56
3. Expectations for Own Industry, Six Months Ahead	72	69	70	67	61	57	58	61	55	54	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

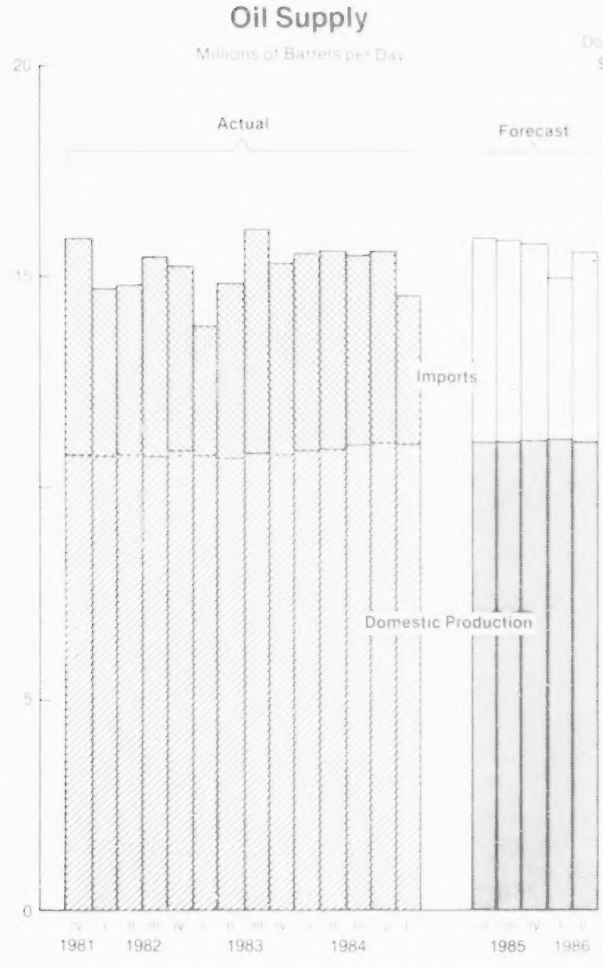
	1984				1985			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	1984 Actual	1985 Actual**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	26.916	34.123	27.309	29.100	29.938	27.560	24.411	32	-11
Capital expenditures	20.129	21.739	23.034	24.587	23.354	24.911	25.968	19	13
Change in appropriations backlog*	4.969	10.715	2.885	2.302	4.984	0.629	-3.995		
Durable Goods									
New appropriations	13.387	18.702	12.742	15.072	16.737	10.910	12.782	59	-5
Capital expenditures	8.874	10.041	11.101	12.223	11.648	12.814	13.335	43	20
Change in appropriations backlog*	3.659	8.212	1.107	1.797	4.154	2.515	1.561		
Nondurable Goods									
New appropriations	13.529	15.421	14.567	14.028	13.201	16.650	11.629	11	-20
Capital expenditures	11.255	11.698	11.933	12.364	11.706	12.097	12.633	9	6
Change in appropriations backlog*	1.310	2.503	1.778	0.505	0.830	3.044	2.434		
ELECTRIC & GAS UTILITIES									
New appropriations	5.464r	7.839r	9.863r	11.554r	9.066r	15.481p	N.A.	26	
Capital expenditures	8.882r	9.016r	9.212r	9.337r	8.828r	9.163p	N.A.	1	
Change in appropriations backlog*	5.963r	2.897r	1.607r	3.147r	0.106r	4.733p	N.A.		

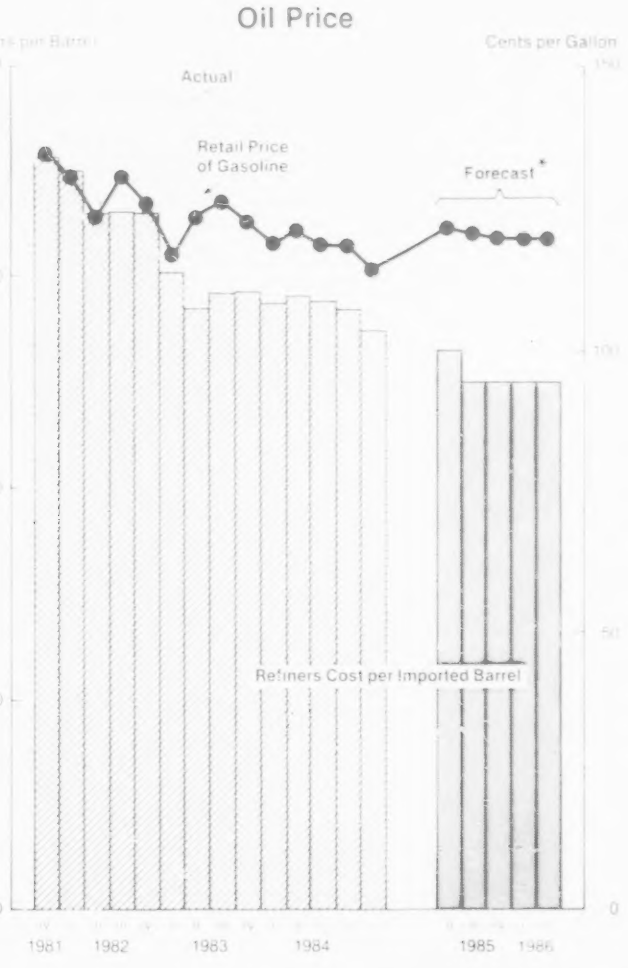
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations ± Other Adjustments)

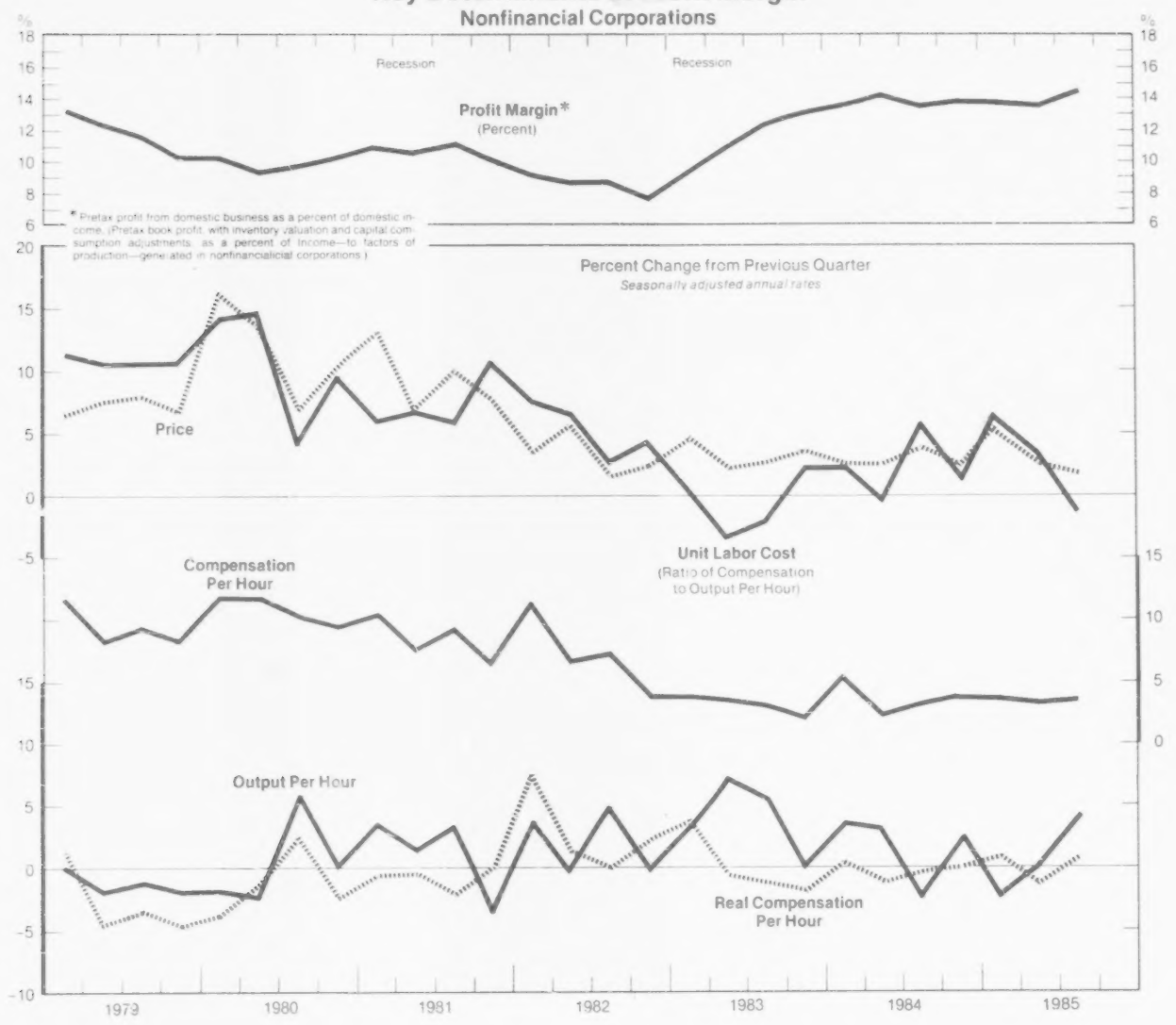
** Third quarter 1985 over third quarter 1984

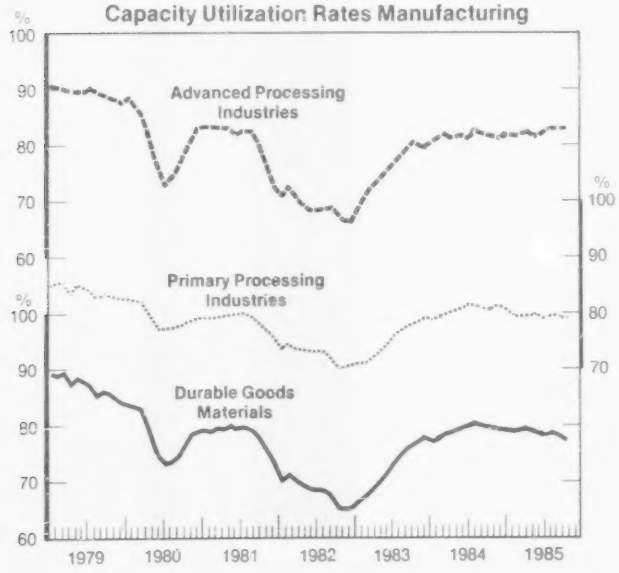




*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Nov., 1985*		*Nov., 1985*		*Nov., 1985*		*Nov., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**III**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**
		IV	4008.1	9.8	3970.3	5.7	3973.3	6.0	3987.5	7.5
	1986	I	4064.0	5.7	4028.2	6.0	4027.1	5.5	4054.9	6.9
		II	4123.1	5.9	4098.4	7.2	4093.0	6.7	4124.3	7.0
		III	4190.8	6.7	4177.7	8.0	4164.9	7.2	4190.5	6.6
		IV	4276.8	8.5	4260.1	8.1	4237.4	7.1	4254.7	6.3
	1987	I	4378.4	9.8			4309.0	6.9	4318.5	6.1
		II	4480.7	9.7			4382.8	7.0	4395.4	7.3
		III	4571.6	8.4			4448.2	6.1	4491.1	9.0
		IV	4665.9	8.5			4527.0	7.3	4595.8	9.7
	1985	Annual	3896.9	6.4	3887.5	6.1	3888.2	6.2	3891.8	6.3
	1986	Annual	4163.7	6.8	4141.1	6.5	4130.6	6.2	4156.1	6.8
	1987	Annual	4524.2	8.7			4416.8	6.9	4450.2	7.1
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**III**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**
		IV	1709.2	4.9	1697.9	2.1	1698.0	2.2	1701.8	3.1
	1986	I	1716.5	1.7	1709.1	2.7	1710.0	2.9	1712.8	2.6
		II	1727.7	2.6	1722.4	3.1	1727.0	4.0	1726.8	3.3
		III	1742.0	3.4	1737.5	3.6	1739.0	2.8	1735.7	2.1
		IV	1760.0	4.2	1755.0	4.1	1751.0	2.8	1744.3	2.0
	1987	I	1782.3	5.2			1766.0	3.5	1751.2	1.6
		II	1803.9	4.9			1778.0	2.7	1763.8	2.9
		III	1819.4	3.5			1790.0	2.7	1782.9	4.4
		IV	1834.5	3.4			1800.0	2.3	1803.0	4.6
	1985	Annual	1683.2	2.7	1680.4	2.5	1680.4	2.5	1681.4	2.6
	1986	Annual	1736.6	3.2	1731.0	3.0	1731.8	3.1	1729.9	2.9
	1987	Annual	1810.0	4.2			1783.5	3.0	1775.2	2.6
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**III**	**231.9**	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**
		IV	234.5	4.6	233.8	3.5	234.0	3.7	234.3	4.3
	1986	I	236.8	3.9	235.7	3.2	235.5	2.6	236.7	4.2
		II	238.6	3.2	237.9	3.9	237.0	2.6	238.8	3.6
		III	240.6	3.3	240.4	4.3	239.5	4.3	241.4	4.4
		IV	243.0	4.1	242.7	3.9	242.0	4.2	243.9	4.2
	1987	I	245.7	4.5			244.0	3.3	246.6	4.5
		II	248.4	4.5			246.5	4.2	249.2	4.3
		III	251.3	4.7			248.5	3.3	251.9	4.4
		IV	254.3	5.0			251.5	4.9	254.9	4.8
	1985	Annual	231.5	3.6	231.3	3.5	231.4	3.6	231.4	3.6
	1986	Annual	239.7	3.6	239.2	3.4	238.5	3.1	240.2	3.8
	1987	Annual	249.9	4.2			247.6	3.8	250.6	4.3
Unemployment Rate										
Actual	**1985**	**III**		**7.1%**		**7.1%**		**7.1%**		**7.1%**
		IV		7.0		7.1		7.0		7.0
	1986	I		7.0		7.1		7.1		6.9
		II		7.0		7.1		7.1		7.0
		III		7.0		7.1		7.0		6.9
		IV		6.9		7.0		6.9		6.8
	1987	I		6.8				6.9		6.8
		II		6.7				6.8		6.9
		III		6.6				6.9		6.9
		IV		6.5				6.9		6.8
	1985	Annual		7.1		7.2		7.1		7.1
	1986	Annual		7.0		7.1		7.0		6.9
	1987	Annual		6.7				6.9		6.9

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on preliminary third quarter data
[2]Based on revised third quarter data

ECONOMIC FORECASTS (continued)

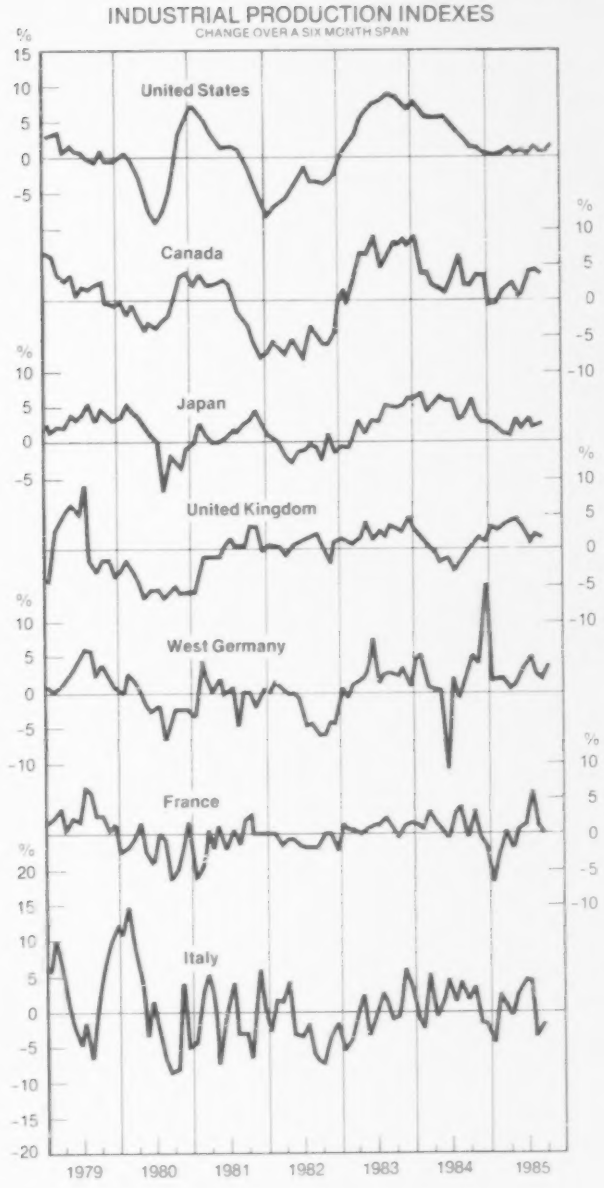
The Conference Board[1]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1985		*Nov., 1985*		*Nov., 1985*		*Nov., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3915.9	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**III**	**1985**	**Actual**
$3976.0	6.3%	3988.0	7.6	3983.3	7.1	3969.3	5.6	IV		
4033.0	5.9	4043.3	5.7	4016.4	3.4	4017.5	4.9	I	1986	
4087.0	5.5	4114.0	7.2	4061.7	4.6	4075.6	5.9	II		
4167.0	8.1	4192.7	7.9	4117.3	5.6	4153.4	7.9	III		
4256.0	8.8	4262.0	6.8	4189.4	7.2	4245.3	9.1	IV		
		4354.1	8.9	4275.7	8.5	4329.8	8.2	I	1987	
		4432.1	7.4	4365.1	8.6	4401.8	6.8	II		
		4506.1	6.8	4442.8	7.3	4478.0	7.1	III		
		4576.9	6.4	4519.7	7.1	4551.4	6.7	IV		
3889.0	6.2	3891.9	6.3	3890.7	6.2	3887.2	6.1	Annual	1985	
4135.8	6.3	4153.0	6.7	4096.2	5.3	4123.0	6.1	Annual	1986	
		4467.3	7.6	4400.8	7.4	4440.3	7.7	Annual	1987	
								Gross National Product Billions of Constant (1972) Dollars		
		$1688.9	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**III**	**1985**	**Actual**
$1698.4	3.3%	1697.2	2.0	1697.7	2.1	1697.5	2.1	IV		
1709.9	2.7	1703.2	1.4	1696.5	-.3	1705.5	1.9	I	1986	
1719.1	2.2	1715.1	2.8	1703.7	1.7	1715.0	2.2	II		
1735.5	3.9	1729.3	3.4	1715.1	2.7	1729.8	3.5	III		
1754.3	4.4	1741.0	2.7	1730.0	3.5	1748.9	4.5	IV		
		1758.2	4.0	1748.8	4.4	1764.4	3.6	I	1987	
		1769.2	2.5	1768.1	4.5	1778.6	3.3	II		
		1781.1	2.7	1781.7	3.1	1791.8	3.0	III		
		1792.6	2.6	1794.1	2.8	1802.9	2.5	IV		
1679.5	2.5	1680.2	2.5	1680.3	2.5	1680.3	2.5	Annual	1985	
1729.7	3.0	1722.2	2.5	1711.3	1.8	1724.8	2.6	Annual	1986	
		1775.3	3.1	1773.2	3.6	1784.4	3.5	Annual	1987	
								Gross National Product deflator Index, 1972 = 100		
		231.9	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**	**III**	**1985**	**Actual**
234.1	2.9	235.0	5.5	234.6	4.9	233.8	3.4	IV		
235.9	3.0	237.4	4.2	236.7	3.7	235.6	3.0	I	1986	
237.7	3.2	239.9	4.2	238.4	2.8	237.6	3.6	II		
240.1	4.0	242.5	4.4	240.1	2.8	240.1	4.2	III		
242.6	4.2	244.8	3.9	242.2	3.5	242.7	4.5	IV		
		247.6	4.7	244.5	3.9	245.4	4.5	I	1987	
		250.5	4.7	246.9	4.0	247.5	3.4	II		
		253.0	4.0	249.4	4.1	249.9	4.0	III		
		255.3	3.7	251.9	4.2	252.4	4.1	IV		
231.5	3.6	231.6	3.7	231.5	3.6	231.3	3.5	Annual	1985	
239.1	3.3	241.1	4.1	239.3	3.4	239.0	3.3	Annual	1986	
		251.6	4.4	248.2	3.7	248.8	4.1	Annual	1987	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**III**	**1985**	**Actual**
	7.1		7.1		7.1		7.2	IV		
	7.2		7.1		7.2		7.4	I	1986	
	7.4		7.1		7.4		7.4	II		
	7.4		6.9		7.5		7.3	III		
	7.2		6.8		7.5		7.1	IV		
			6.6		7.5		7.0	I	1987	
			6.5		7.4		6.8	II		
			6.5		7.3		6.7	III		
			6.5		7.3		6.7	IV		
	7.2		7.2		7.2		7.2	Annual	1985	
	7.3		7.0		7.4		7.3	Annual	1986	
			6.5		7.4		6.8	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

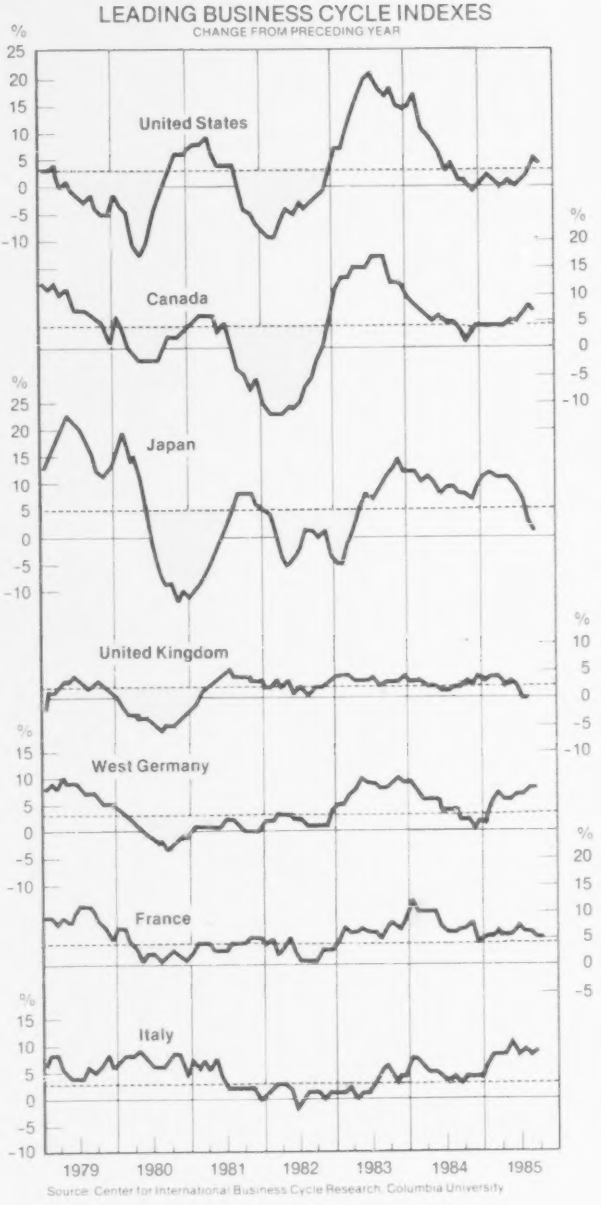
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

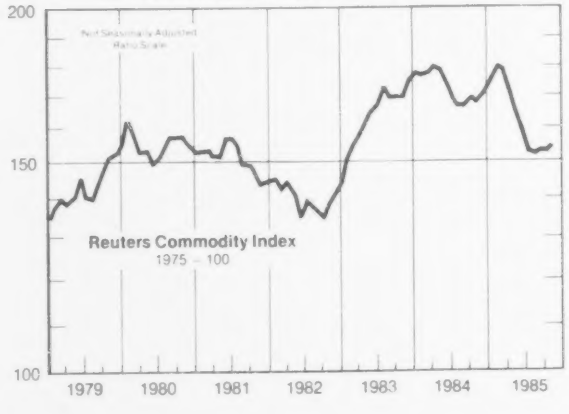
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

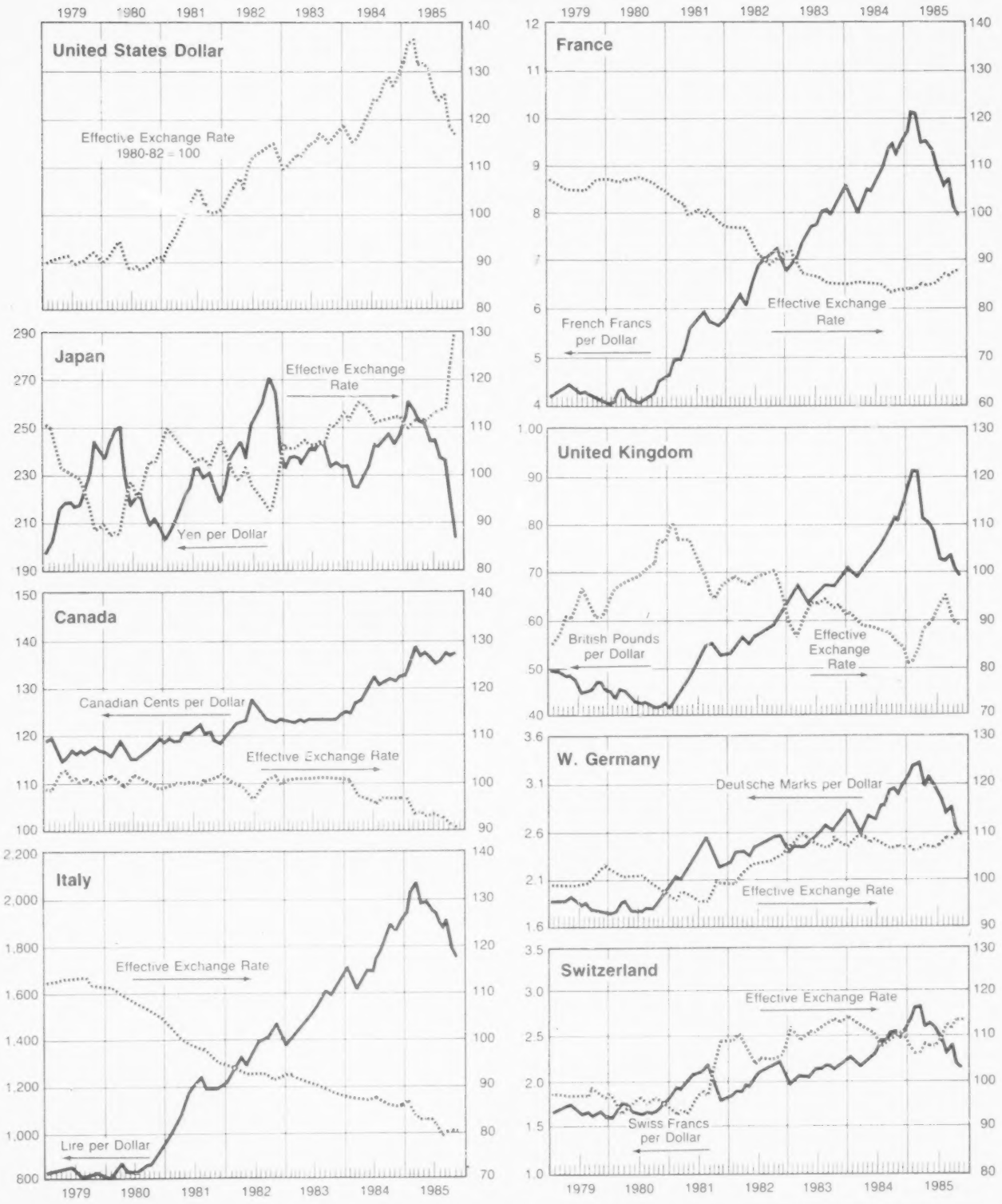
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

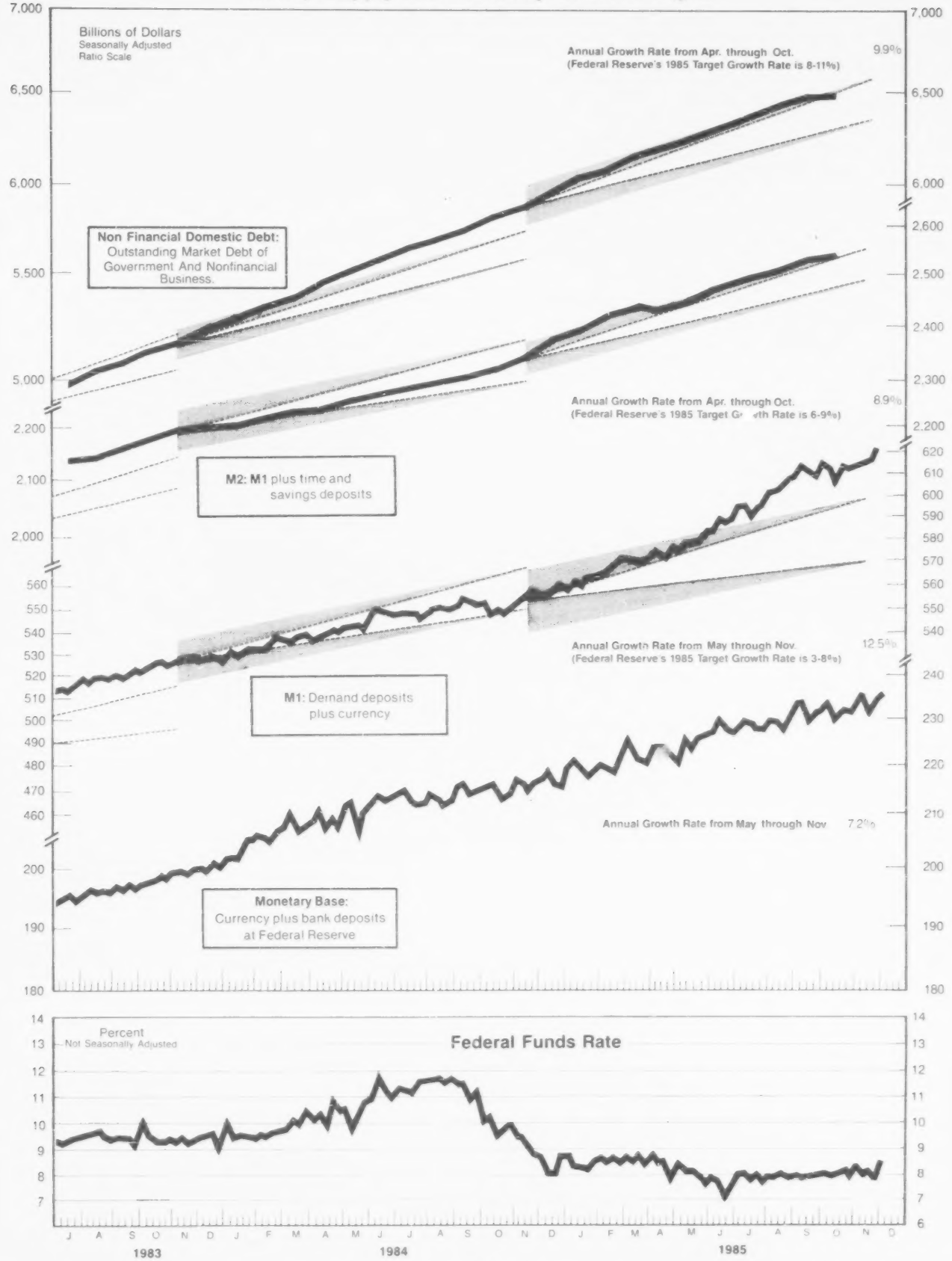
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	**$ 779.8**	**$ 790.0**	**$ 850.1**	**$ 858.0**	**$ 937.0**	**$ 939.0**
Outlays	**957.7**	**965.0**	**989.4**	**1,021.0**	**1,036.8**	**1,082.0**
Deficit	**177.8**	**-175.0**	**-139.3**	**163.0**	**- 99.8**	**-143.0**
Receipts by source	**779.8**	**790.0**	**850.1**	**858.0**	**937.0**	**939.0**
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	287.2	285.3	309.5	305.0	343.8	338.0
Corporate income taxes	68.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	**957.7**	**965.0**	**989.4**	**1,021.0**	**1,036.8**	**1,082.0**
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	267.1	285.2	285.2	303.9	304.0
Income security	115.2	121.1	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.1	25.8	25.6	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	21.3	18.9	19.1	17.3	18.0	16.4
Agriculture	16.4	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.4	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.2	5.1	5.5
Commerce, housing credit	2.8	3.7	- 1.0	3.4	- 1.6	5.2
Energy	3.8	5.6	3.1	5.2	1.8	4.5
Revenue sharing	2.9	6.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	- 1.7	0.8	- 1.7	1.9	- 0.5
Offsetting receipts	-36.9	-39.9	-39.0	-37.1	-39.2	-41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,236.7**	**$4,217.0**	**$4,589.4**	**$4,548.0**	**$4,959.3**	**$4,905.0**
Constant (1972) Dollar	**1,754.6**	**1,743.0**	**1,824.8**	**1,802.0**	**1,897.6**	**1,865.0**
Percent change in						
Current dollar	8.5%	8.0%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.2	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.3	6.6

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Apr. through Oct. 9.9%
(Federal Reserve's 1985 Target Growth Rate is 8-11%)
Non Financial Domestic Debt:
Outstanding Market Debt of Government And Nonfinancial Business.
Annual Growth Rate from Apr. through Oct. 8.9%
(Federal Reserve's 1985 Target Growth Rate is 6-9%)
M2: M1 plus time and savings deposits
Annual Growth Rate from May through Nov. 12.5%
(Federal Reserve's 1985 Target Growth Rate is 3-8%)
M1: Demand deposits plus currency
Annual Growth Rate from May through Nov. 7.2%
Monetary Base:
Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1983
1984
1985

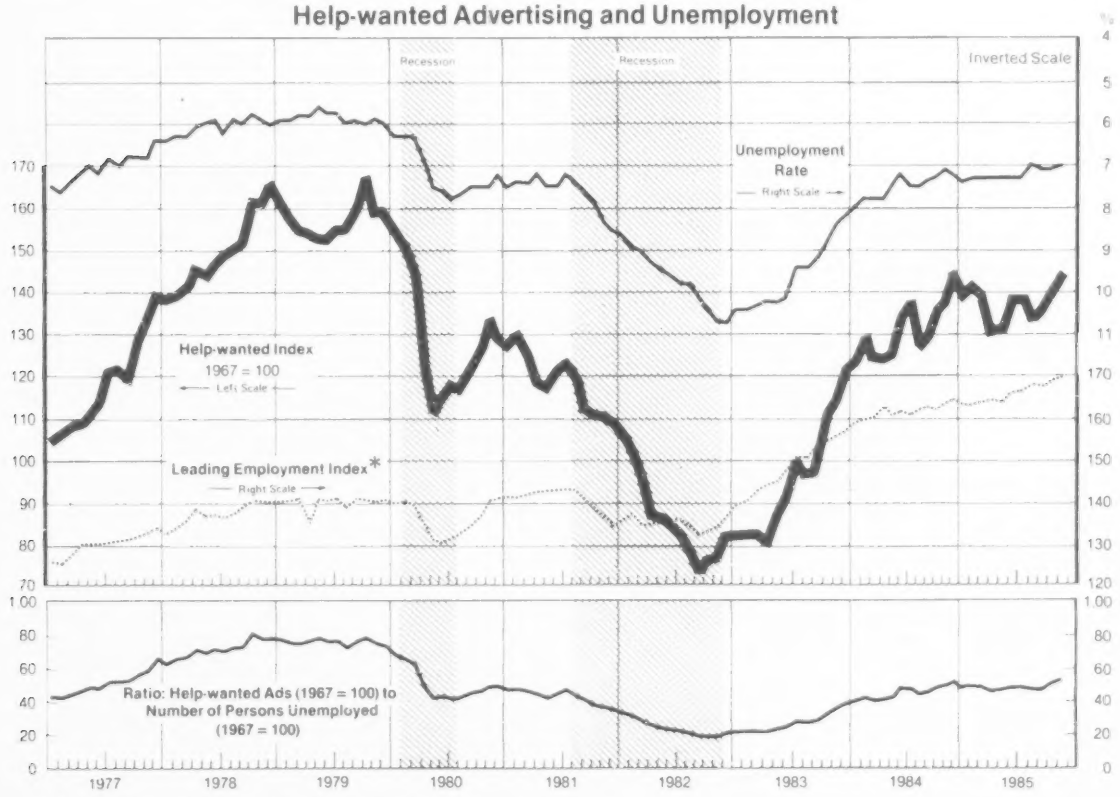
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Oct.	1985 Sept.	1985 Aug.	1984 Oct.
National Index	140	136	133	136
New England	164	147	145	153
Boston	n a	156	153	164
Hartford	166	157	154	155
Providence	124	104	112	113
Middle Atlantic	72	69	68	63
Albany	174	163	159	119
Allentown	190	191	198	186
New York	58	57	54	53
Philadelphia	63	61	59	58
Pittsburgh	76	71	67	56
Rochester	82	79	86	74
Syracuse	114	112	119	101
East North Central	86	85	86	82
Chicago	96	95	98	100
Cincinnati	n a	118	129	116
Cleveland	58	55	57	56
Columbus	133	134	128	113
Dayton	75	78	75	57
Detroit	61	64	60	60
Gary	111	110	116	96
Indianapolis	90	85	84	83
Milwaukee	57	54	53	52
Toledo	113	113	107	85
West North Central	89	92	84	88
Kansas City	145	153	123	132
Minneapolis	73	73	68	82
Omaha	115	118	124	116
St. Louis	64	67	65	59
South Atlantic	186	176	164	162
Atlanta	291	273	262	312
Baltimore	202	192	153	98
Charlotte	143	141	131	148
Jacksonville	217	205	213	189
Miami	85	79	74	81
Richmond	116	119	116	92
Washington, D C	179	165	163	166
East South Central	150	139	139	133
Birmingham	160	149	148	131
Knoxville	200	182	192	193
Louisville	92	89	84	75
Memphis	102	109	103	104
Nashville	234	197	203	203
West South Central	220	219	228	272
Dallas	308	289	301	387
Houston	263	273	284	338
New Orleans	101	96	98	125
Oklahoma City	120	126	129	144
San Antonio	199	192	209	204
Tulsa	124	142	137	145
Mountain	324	310	307	324
Denver	203	200	198	211r
Phoenix	482	445	438	472
Salt Lake City	335	334	332	336
Pacific	208	204	197	202
Los Angeles	150	148	144	153
Sacramento	369	345	359	320
San Bernadino	271	220	200	221
San Diego	473	475	422	421
San Francisco	207	206	207	215
Seattle	192	196	190	185
Percentage of papers with rising volume	69	63	14	67
Unemployment rate	7 1	7 1	7 0	7 3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
r—revised N A —not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.1	89.8	88.2	89.9r	92.1p	

Buying Plans Index

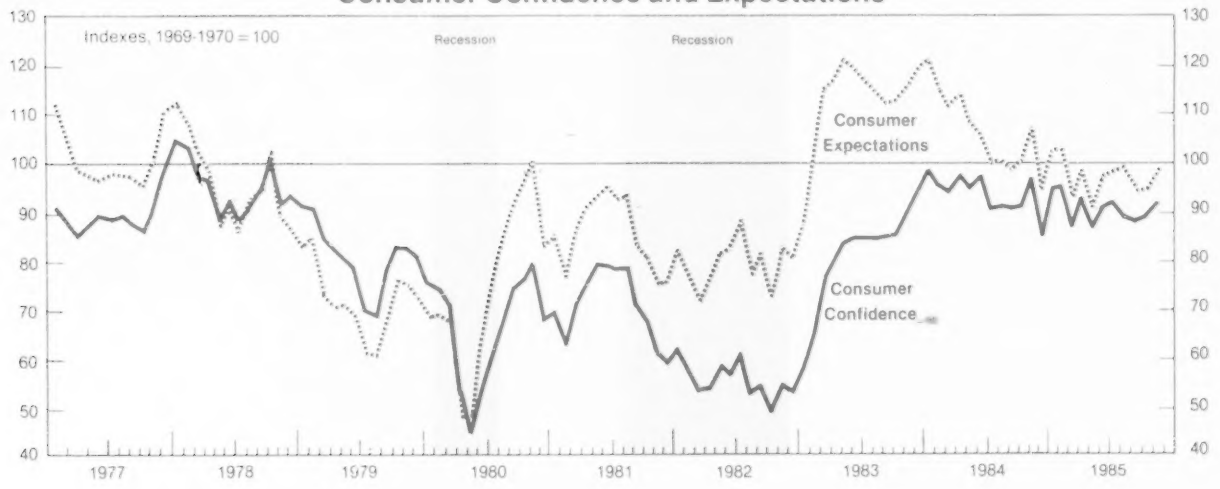
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6	97.7	105.3	119.5	117.2r	109.6p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

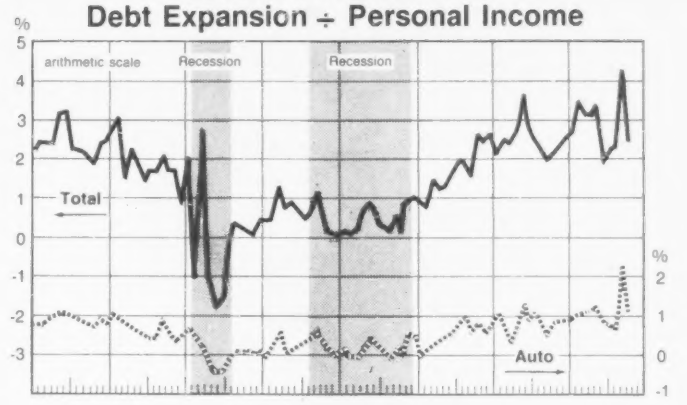
Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

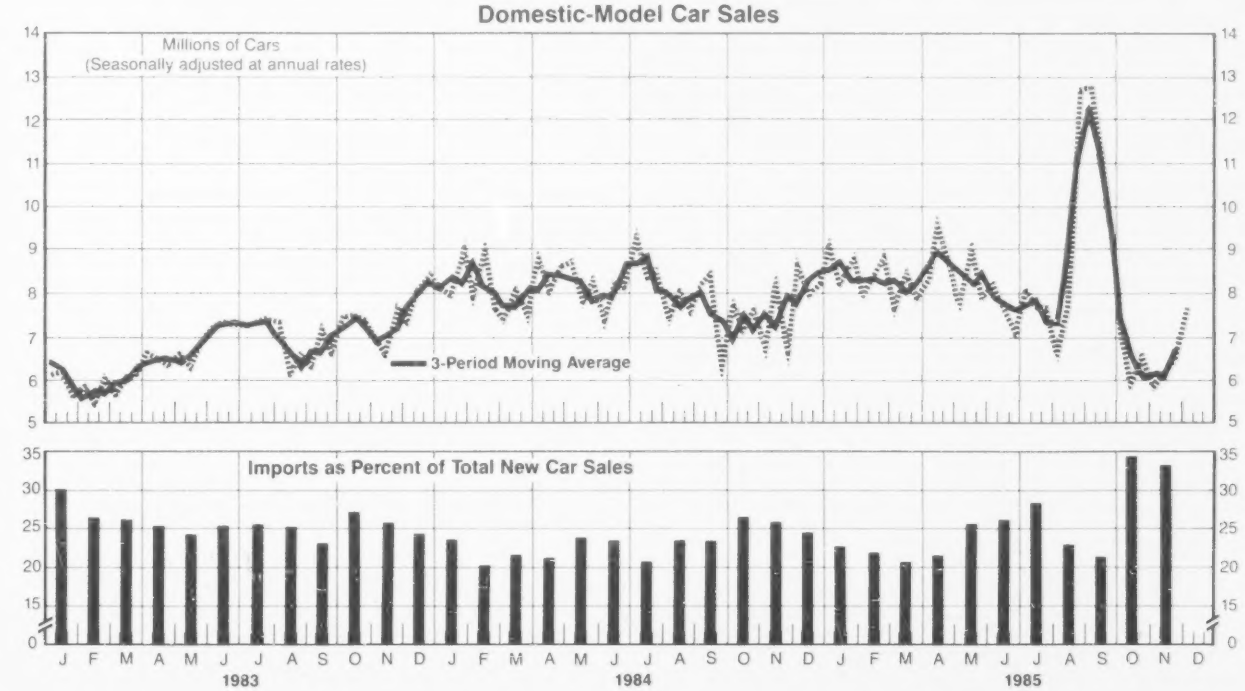
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September:	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	11.27
	21-30	6.11	6.55	6.03	9.59
October:	1-10	5.22	7.52	7.83	7.03
	11-20	5.36	7.56	7.07	5.88
	21-31	5.91	7.45	7.70	6.62
November:	1-10	6.56	6.96	6.60	5.78
	11-20	6.98	6.55	8.44	6.14
	21-30	6.48	7.62	6.57	6.50
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
3-Period Moving Average
Imports as Percent of Total New Car Sales
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1983
1984
1985